

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 /085 W
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C O N F I D E N T I A L MADRID 2598

EMO.11652: GDS
TAGS: EFI, EGEN, PFORN SP
SUBJECT: SUPPRESSION OF SPANISH COST OF LIVING STATISTICS

REF: MADRID 2000 (NOTAL)

1. SUMMARY: THE LATEST OFFICIAL SPANISH COSTS OF LIVING
(INFLATION FIGURE IS FOR DECEMBER, 1976 IT IS NOT CLEAR
WHEN A NEW COL STATISTIC WILL APPEAR. MANY FEEL THE GOVT
WILL SUPPRESS ANY SUCH INFLATION STATISTIC AT LEAST UNTIL
AFTER THE JUNE ELECTIONS. END SUMMARY

2. THE STATISTIC PUBLISHED THROUGH THE END OF 1976 WAS BASED
ON SPANISH CONSUMPTION PATTERNS IN 1965-68. A NEW SURVEY WAS
DONE IN 1973-74 AND A NEW INDEX WAS CONFIDENTIALLY TESTED IN
1976. THE TEST SHOWED THE NEW INDEX WAS DEFINITE IMPROVEMENT
BUT THE NEW FIGURES DETECTED A SIGNIFICANTLY HIGHER RATE OF
INFLATION NO REAL SURPRISE TO THE SKEPTICAL SPANIARD INFLATION
IN 1976 ACCORDING TO THE OLD INDEX, WAS 20 PERCENT

3. BY THE BEGINNING OF THIS YEAR, PRESS AND PUBLIC OPINION
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URGED PUBLICATION OF THE NEW FIGURE. ALSO DURING THIS
PERIOD, THE NATIONAL STATISTICAL INSTITUTE (INE) AN
APPENDAGE OF THE SPANISH PRESIDENCY, FAILED TO COLLECT 1977
SURVEY INFORMATION FOR THE OLD INDEX. INFORMATION ON JANUARY
AND FEBRUARY BASED ON THE NEW INDEX WAS COLLECTED.

4. APPARENTLY AS A REACTION TO THESE EVENTS, THE PRESIDENCY

PUBLICLY ORDERED ON FEB 23 THE USE OF THE NEW COST OF LIVING INDEX THE VERY LENGTHY ORDER DID NOT SET ANY DATE FOR PUBLICATION OF THE FIGURES AND AVOIDED ANY PLEDGE TO USE THE NEW INDEX IN ITS PRESENT FORM. IT SOON BECAME CLEAR THAT THE GOVT DID NOT INTEND TO PUBLISH THE NEW FIGURES (GOING SO FAR AS TO FALSELY DENY THAT THE FIGURES HAD ACTUALLY BEEN PREPARED). THE HEAD OF INE, SR. TOORON A FORMER MILITARY OFFICER, FELT IT NECESSARY TO RESIGN ON ABOUT MARCH 22. SINCE THE GOVT HAS BEEN UNABLE TO FIND A SIMILARLY QUALIFIED PERSON WILLING TO HEAD A STATISTICAL INSTITUTE WHICH WILL NOT PUBLISH A COL STATISTIC.

5. LEAKS FROM THE INE BUREAUCRACY HAVE BEEN CONSTANT. EVEN THE OFFICIAL NEWS AGENCY CIFRA HAS REPORTED THAT THE NEW INDEX WILL SHOW 3.1 PERCENT INFLATION IN JANUARY AND ABOUT 6 PERCENT INFLATION FOR THE FIRST 2 MONTHS OF THE YEAR. THERE HAVE BEEN NO OFFICIAL DENIALS OF THESE FIGURES, BOTH OF WHICH ARE WELL OVER TWICE THE RATES FOR ANY PREVIOUS FIGURES FOR THE SAME PERIOD THE GOVT HAS ALSO REFUSED TO COMMENT ON WHEN THE NEW PUBLIC FIGURES WILL BE PUBLISHED.

6. COMMENT: ALTHOUGH THE GOVT SEEMS TO HAVE MISMANAGED THE WHOLE ISSUE OF THE NEW COL INDEX, THE POLITICAL OPPOSITION HAS NOT DECIDED TO MAKE IT AN ISSUE AT THIS TIME. FOR ONE THING FEW SPANIARDS HAVE ANY FAITH IN THE GOVT STATISTICS AND THE GOVT HAS ALREADY ATTRACTED A MAXIMUM OF UNFAVORABLE COMMENT. FOR ANOTHER THE LABOR CONTRACT SEASON IS NOW OVER AND FEW

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WORKERS WILL BE ADVERSELY AFFECTED BY THE LACK OF A NEW INDEX FIGURE THIS SPRING. HOWEVER, SINCE THE OFFICIAL COST OF LIVING FIGURE IS THE ONLY LAWFUL ONE IN LABOR CONTRACTS, A GROWING PROBLEM EXISTS. ECONOMISTS, TOO, ARE POINTING OUT THAT INFLATION HAS BEEN MUCH MORE HARMFUL TO THE ECONOMY THAN HAD BEEN PREVIOUSLY REALIZED, SIMPLY BECAUSE INFLATION HAS APPARENTLY BEEN MUCH HIGHER THAN THE OFFICIAL FIGURES USED IN THEIR CALCULATIONS. EATON

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